

ORIGINAL OPEN MEETING



MEMORANDUM RECEIVED

Arizona Corporation Commission

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AUG 31 2006

TO: THE COMMISSION

2006 AUG 31 A 8:45

FROM: Utilities Division

AZ CORP COMMISSION
DOCUMENT CONTROL

DATE: August 31, 2006

DOCKETED BY	<i>NR</i>
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RE: IN THE MATTER OF THE APPLICATION OF ARIZONA ELECTRIC POWER COOPERATIVE, INC. TO AMEND ITS ENVIRONMENTAL PORTFOLIO STANDARD PLAN (DOCKET NO. E-01773A-06-0064)

On February 8, 2001, the Arizona Corporation Commission ("Commission") entered Decision No. 63364, which adopted the Environmental Portfolio Standard ("EPS" or "Portfolio") Rules, Arizona Administrative Code ("A.A.C.") R14-2-1618. The Arizona Electric Power Cooperative ("AEPCO") and four of its member distribution cooperatives filed applications for rehearing and reconsideration of the decision.

On March 29, 2001, the Commission entered Decision No. 63486 ("Decision" or "Order"), which modified the EPS Rules and which included exemptions to the rules in response to some of the applications for rehearing and reconsideration. Specifically, Decision No. 63486 permits AEPCO to file a plan setting forth alternative EPS objectives and describing how it intends to meet those alternative objectives.

On August 30, 2004, the Commission entered Decision No. 67176, which approved AEPCO's EPS Plan as a limited plan pending Commission review and approval of a revised EPS Plan, which was to be filed by December 31, 2005.

On December 9, 2005, the Commission entered Decision No. 68328, which revised the due date for AEPCO's filing of its revised EPS Plan to 120 days after the EPS Rules are amended or to December 31, 2006, whichever comes first.

On February 2, 2006, AEPCO, on behalf of its five Arizona member distribution cooperatives, Duncan Valley Electric Cooperative, Graham County Electric Cooperative, Mohave Electric Cooperative, Sulphur Springs Valley Electric Cooperative, and Trico Electric Cooperative (collectively, the "Distribution Cooperatives"), filed a proposed amendment to its existing EPS Plan. The proposed amendment would allow AEPCO and the Distribution Cooperatives to support the installation of large parking-shade-mounted photovoltaic ("PV") systems at schools and other government entity locations throughout their service territories. AEPCO and the Distribution Cooperatives propose to fund 100 percent of these project costs through the EPS surcharge. AEPCO and the Distribution Cooperatives seek approval to support up to 10 projects each year at a cost of \$75,000 to \$125,000 each.

THE COMMISSION

August 31, 2006

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The current EPS Plan offers an incentive of \$4.00 per watt to encourage distributed photovoltaic systems at both residential and non-residential buildings. The size of PV systems under AEPCO's existing EPS Plan is limited to 5 kW.

In contrast to the current EPS plan, the proposed amendment would allow the purchase and installation of up to 10 systems, in the approximate 10-20 kW size range, at schools or other government locations, but with a priority given to school installations.

Staff has reviewed AEPCO's application and recommends approval.

The Commission approved a similar approach by Navopache Electric Cooperative which resulted in, among other projects, the installation of a large photovoltaic project for the Blue Ridge High School.

Staff notes that AEPCO's request will benefit all concerned. First, AEPCO and the Distribution Cooperatives will benefit by helping to meet their current EPS portfolio requirements. Second, the school or government building operators will benefit by seeing a reduction in utility bills. Finally, the customers of AEPCO's member cooperatives will benefit, since less of their tax money will be needed to provide energy to schools and government buildings.

Staff notes that the effect of AEPCO's proposed amendment will move AEPCO and its member cooperatives away from over-reliance on large central station energy facilities to more diverse, small scale energy facilities that are located where the energy is used.



Ernest G. Johnson
Director
Utilities Division

EGJ:RTW:redJFW

ORIGINATOR: Ray T. Williamson

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BEFORE THE ARIZONA CORPORATION COMMISSION

JEFF HATCH-MILLER
Chairman
WILLIAM A. MUNDELL
Commissioner
MIKE GLEASON
Commissioner
KRISTIN K. MAYES
Commissioner
BARRY WONG
Commissioner

IN THE MATTER OF THE APPLICATION)
OF ARIZONA ELECTRIC POWER)
COOPERATIVE, INC. TO AMEND ITS)
ENVIRONMENTAL PORTFOLIO)
STANDARD PLAN)
_____)

DOCKET NO. E-01773A-06-0064
DECISION NO. _____
ORDER

Open Meeting
September 19 and 20, 2006
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. Arizona Electric Power Cooperative, Inc. ("AEPCO") is certificated to provide electric service as a public service corporation in the State of Arizona.
2. On February 8, 2001, the Arizona Corporation Commission ("Commission") entered Decision No. 63364, which adopted the Environmental Portfolio Standard ("EPS" or "Portfolio") Rules, Arizona Administrative Code ("A.A.C.") R14-2-1618. AEPCO and four of its member distribution cooperatives filed applications for rehearing and reconsideration of the decision.
3. On March 29, 2001, the Commission entered Decision No. 63486 ("Decision" or "Order"), which modified the EPS Rules and which included exemptions to the rules in response to some of the applications for rehearing and reconsideration. Specifically, Decision No. 63486 permits AEPCO to file a plan setting forth alternative EPS objectives and describing how it intends to meet those alternative objectives.

1 4. On August 30, 2004, the Commission entered Decision No. 67176, which approved
2 AEPCO's EPS Plan as a limited plan pending Commission review and approval of a revised EPS
3 Plan, which was to be filed by December 31, 2005.

4 5. On December 9, 2005, the Commission entered Decision No. 68328, which revised
5 the due date for AEPCO's filing of its revised EPS Plan to 120 days after the EPS Rules are
6 amended or to December 31, 2006, whichever comes first.

7 6. On February 2, 2006, AEPCO, on behalf of its five Arizona member distribution
8 cooperatives, Duncan Valley Electric Cooperative, Graham County Electric Cooperative, Mohave
9 Electric Cooperative, Sulphur Springs Valley Electric Cooperative, and Trico Electric Cooperative
10 (collectively, the "Distribution Cooperatives"), filed a proposed amendment to its existing EPS
11 Plan.

12 7. The proposed amendment would allow AEPCO and the Distribution Cooperatives
13 to support the installation of large parking-shade-mounted photovoltaic ("PV") systems at schools
14 and other government entity locations throughout their service territories. AEPCO and the
15 Distribution Cooperatives propose to fund 100 percent of these project costs through the EPS
16 surcharge. AEPCO and the Distribution Cooperatives seek approval to support up to 10 projects
17 each year at a cost of \$75,000 to \$125,000 each.

18 8. The current EPS Plan offers an incentive of \$4.00 per watt to encourage distributed
19 photovoltaic systems at both residential and non-residential buildings. The size of PV systems
20 under AEPCO's existing plan is limited to 5 kW.

21 9. In contrast to the current EPS plan, the proposed amendment would allow the
22 purchase and installation of up to 10 systems, in the approximate 10-20 kW size range, at schools
23 or other government locations, but with a priority given to school installations.

24 10. Staff has reviewed AEPCO's application and recommends approval.

25 11. The Commission approved a similar approach by Navopache Electric Cooperative
26 which resulted in, among other projects, the installation of a large photovoltaic project for the Blue
27 Ridge High School.

28 ...

1 12. Staff has noted that AEPCO's request will benefit all concerned. First, AEPCO and
2 the Distribution Cooperatives will benefit by helping to meet their current EPS portfolio
3 requirements.

4 13. Second, the school or government building operators will benefit by seeing a
5 reduction in utility bills. Finally, the customers of AEPCO's member cooperatives will benefit,
6 since less of their tax money will be needed to provide energy to schools and government
7 buildings.

8 14. Staff has noted that the effect of AEPCO's proposed amendment will move AEPCO
9 and its member cooperatives away from over-reliance on large central station energy facilities to
10 more diverse, small scale energy facilities that are located where the energy is used.

11 CONCLUSIONS OF LAW

12 1. AEPCO and its member cooperatives are Arizona public service corporations
13 within the meaning of Article XV, Section 2, of the Arizona Constitution.

14 2. The Commission has jurisdiction over AEPCO and its member cooperatives and
15 over the subject matter of this application.

16 3. The Commission, having reviewed the application and Staff's Memorandum dated
17 August 31, 2006, concludes that it is in the public interest to approve the application.

18 ORDER

19 IT IS THEREFORE ORDERED that AEPCO's request to amend its EPS Plan is consistent
20 with the requirements of the EPS Rules for AEPCO and its member distribution cooperatives.

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IT IS FURTHER ORDERED that AEPCO's proposed amendment to its EPS Plan is hereby approved as discussed herein.

IT IS FURTHER ORDERED that this decision shall become effective immediately.

BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION

CHAIRMAN

COMMISSIONER

COMMISSIONER

COMMISSIONER

COMMISSIONER

IN WITNESS WHEREOF, I BRIAN C. McNEIL, Executive Director of the Arizona Corporation Commission, have hereunto, set my hand and caused the official seal of this Commission to be affixed at the Capitol, in the City of Phoenix, this _____ day of _____, 2006.

BRIAN C. McNEIL
Executive Director

DISSENT: _____

DISSENT: _____

EGJ:RTW:red\JFW

1 SERVICE LIST FOR: Arizona Electric Power Cooperative, Inc.
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